

**Testimony
of
Blaine Stockton
Before the
House Agriculture Committee
Subcommittee on Credit, Conservation,
Rural Development and Research
Hearing June 26, 2001
Room 1300 Longworth House Office Building**

Mr. Chairman, Members of the Committee, it is a pleasure to testify today for the Rural Development Mission Area of USDA. My name is Blaine Stockton, Acting Administrator of the Rural Utilities Service. I am accompanied by William F. Hagy III, Acting Administrator of the Rural Business-Cooperative Service, James C. Alsop, Acting Administrator of the Rural Housing Service, and Norman Reid, Acting Director of the Office of Community Development.

Rural Development assists rural individuals, communities, and businesses to obtain the financial and technical assistance needed to address their diverse and unique needs. The different USDA programs work together with local leaders and local programs to invest in the rural citizens and communities that have been the backbone of the United States' economy for most of this Nation's history.

The Rural Development programs serve all communities in rural America. Native American tribal communities, areas like the Delta and the Colonias with high percentages of minorities, are participants in Rural Development Programs. Attached are detailed statistics to provide information on minority participation. Construction of day care facilities, senior citizen centers, and housing is to the benefit of both single women with children and elderly women with fixed incomes. The infrastructure programs are required to cover everyone in a service area, assisting everyone on an equal basis.

The Rural Development Mission area was established in 1994 by the Department of Agriculture Reorganization Act. The mission area consists of three agencies, the Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS). These agencies are responsible for delivering programs authorized by the Consolidated Farm and Rural Development Act, the Farm Security Act of 1985, the Rural Electrification Administration Act of 1936, the Cooperative Marketing Act of 1926, the Agricultural Marketing Act of 1946, the Housing Act of 1949, and the Rural Economic Development Act of 1990. The mission area also administers the rural portion of the Empowerment Zones and Enterprise Communities (EZ/EC) Program, related community development activities and helps support the National Rural Development Partnership, a nationwide network of rural development leaders and officials. This listing of responsibilities is suggestive of the remarkably wide variety of responsibilities in Rural Development's purview, to improve the quality of life for rural Americans.

Financial and technical assistance may come solely from Rural Development or be combined with assistance from one of the numerous public and private organizations involved in the development of rural communities. The leveraging of local, state and private sector financing is different from program to program. Leveraging will range from \$3 of private sector financing for every dollar loaned in the Rural Electric Program to a ratio of nearly 14 to1 in the Empowerment Zones and Enterprise Community grant programs. Based on recent experiences, Rural Development expects that every dollar of Rural Business Enterprise Grant funding will be leveraged with \$2.40 of funding from other sources, while each dollar of Intermediary Relending Program funds will be leveraged with \$3.76 from other sources.

Rural Development agencies deliver over 40 different loan, loan guarantee, and grant programs in the areas of business development, cooperative development, housing, community facilities, community empowerment, water supply, waste disposal, electric power, and telecommunications, including distance learning and telemedicine. Rural Development staff, located in field offices and Washington, D.C., provide technical assistance to rural families and community leaders to enhance community capacity for development and to ensure success of projects Rural Development has financed. In addition to their grant and loan-making responsibilities, Rural Development staff are also responsible for the servicing and collection of a loan portfolio that exceeds \$80 billion.

Rural Development Programs provide financial and technical assistance to distressed African-American, Appalachian, Hispanic American, Native American and other rural communities experiencing severe poverty and other long-term economic and social problems. These programs give low-income and minority citizens and opportunity to define and shape their own futures. These designations provide a number of leadership opportunities for low income, minority and women citizens.

Rural Development's impressive aggregate statistics display one dimension of the successes of the program. However, statistics do not reveal the human side of these successes. When a family has clean water for the first time, moves into their first home, or sees success in a start-up business that contributes to not only that family, but also the entire community; we are able to reap the full dividends of this tremendous investment.

Rural Housing Service

The commitment to improve housing conditions in rural areas, and in particular improve homeownership opportunities, makes an investment in human dignity that gives us a stronger community and Nation. RHS programs include Community Facilities, Direct and Guaranteed Loans and Grants, Home Ownership Direct and Guaranteed Loans, Home Improvement and Repair Loans and Grants, Housing Preservation Grants, Congregate Housing and Group Home Loans for senior citizens and disabled individuals, Rural Rental Housing Loans, Farm Labor Housing Loans and Grants, and Multi-Family Direct and Guaranteed Loans.

The Community Facilities Program finances rural health facilities, childcare facilities, fire and safety facilities, jails, education facilities, and almost any other type of essential community facility needed in rural America. The single family direct and guaranteed loans enable families who are unable to obtain credit elsewhere to purchase a home of their own. Home improvement and repair loans and grants go to help current homeowners, mostly low income and many elderly, solve problems that would often make the home unlivable without the repairs. Next year's projected housing construction activity from RHS funding will stimulate almost 36,000 jobs in rural areas. Multi-family Housing and Farm Labor Housing continues to help address local housing shortages. These programs, along with rental assistance funding, support construction of new units and rehabilitation of existing units, many of which are occupied by female heads of households, generally elderly females or single mothers, with annual incomes averaging under \$8,000. When a small rural community tries to recruit new businesses, the availability and the affordability of decent housing is a determining factor.

Rural Business-Cooperative Services

One key to creating economic opportunity in rural areas is the development of new business and employment opportunities. But, local lending institutions frequently do not have the capacity or capital needed to sustain local businesses and generate new growth in rural areas. Rural Business-Cooperative Services (RBS) programs, particularly the Business and Industry (B&I) loan guarantee program, were enacted to supplement the efforts of local lending institutions in providing the capital.

The Cooperative Services program offers a wide range of assistance to rural residents interested in forming new cooperatives or to existing cooperatives facing specific problems. Rural cooperatives have assisted in marketing, purchasing, or adding value to everything from supplies, raw agriculture commodities, or needed services. The cooperative development specialists can help with initial feasibility studies, creation of a business plan, or provide technical assistance to help a cooperative develop a strategic marketing plan to cope with new competitive forces. Business and Industry loan guarantees can be used to finance capital stock purchases to create a cooperative. This serves as one more tool to give farmers and ranchers a piece of the value-added pie to improve farm income.

The programs of the Rural Business Service help close the gap in opportunity for rural areas in which private sector capital is not readily available, helping to bring them closer to sharing in the benefits of the nation's economic growth. Rural Business Service loans and grants are weighted to the number of jobs created or preserved. Rural Development anticipates over 71,600 jobs will be saved or developed through providing assistance to 2,700 businesses.

Rural Utilities Service

The Rural Utilities Service (RUS) provides financing for electric, telecommunications, and water and waste disposal services that are essential for economic development in rural areas. RUS has an ongoing partnership with approximately 800 rural electric borrowers, 800 rural telecommunications providers, and some 7,200 small communities, rural water, and waste disposal systems.

America's demand for reliable electric power has placed strains on systems all across the nation. RUS has seen the demand for distribution expansion, increased transmission facilities, and the need for peaking generation management tools explode over the past four to five years. In addition, the RUS Electric Program is working more with renewable sources for electric power including wind, photovoltaic, and biomass.

The Electric program benefits consumers through new construction, systems improvements, and upgrading of rural electric systems. This next year, approximately 60,000 jobs will be created as a result of facilities constructed with Electric program investments in rural infrastructure.

Building and maintaining modern telecommunications infrastructure is critical to rural economic development. Nowhere does the revolution in information technology offer more promise and face more challenge than rural America. Since the Rural Electrification Loan Restructuring Act was drafted in this subcommittee and passed by Congress, all RUS financed telecommunications infrastructure must be capable of supporting data transmission at a minimum rate of one megabit-per second. The RUS Distance Learning and Telemedicine Program provides increased educational and health care opportunities for rural citizens. In Telecommunications, it is projected that some 16,000 jobs will be generated as a result of facilities constructed with Telecommunications program funds.

There is no more basic human need than clean, safe, drinking water. Availability of safe clean water and the ability to remove waste in a safe and ecologically sound manner has never been more challenging or more expensive. RUS Water and Environmental Programs serve communities of 10,000 population or fewer and rural areas. Over 42,000 jobs are projected next year, generated as a result of facilities constructed with water and waste disposal program funds, as rural water and rural waste systems are developed or expanded in compliance with the Safe Drinking Water Act and Federal and State environmental standards. There is a high demand for the Water and Waste Disposal loans and grants.

For this fiscal year, Congress provided a pilot program with \$100 million in loan funds and \$2 million in grants for broadband service where it does not exist in communities of up to 20,000 population. The Program has had over \$300 million in applications. Authorizing legislation, for a loan and grant program to finance broadband

transmission and local dial-up Internet service in rural areas is under development at USDA as provided for in 2002 budget request. This will improve access to high speed; high capacity data transmission to under-served rural areas.

The Rural Telephone Bank (RTB) was established in 1972 to provide a supplemental source of credit to help establish rural telephone companies. The RUS Telecommunications Program provides staffing for the RTB. The RTB Board is comprised of five presidential appointees from USDA, two presidential appointees to represent the public, three board members representing cooperative stockholders and three members representing commercial stockholders. This has proved to be remarkably successful, and efforts have been underway to privatize the bank. In 1996, the RTB began repurchasing Class "A" stock from the Federal Government; thereby beginning the process of transformation from a Federally funded organization to a fully privatized banking institution.

Office of Community Development

The Office of Community Development (OCD) administers Rural Development's Community Empowerment Programs. In addition to specific technical assistance provided to rural communities by community development specialists nationwide, OCD implements ongoing programs that help distressed rural communities develop the capacity to plan, finance and implement long-term strategic development plans. OCD has an ongoing partnership with 8 rural Empowerment Zones (EZ), 49 Enterprise Communities (EC), 120 Champion Communities (CC), 5 Rural Economic Area Partnership (REAP) Zones, and a number of high-impact targeted regional initiatives.

Over the past 12 months, in the 57 rural EZ/ECs, close to 7000 jobs were created or saved, some 600 new houses were built and over 1200 rehabilitated, 12,500 participants in youth programs and 20,300 participants in education programs were served, nearly 450 business loans were made, and 95 new businesses were started or relocated into those areas. Since the program's inception, over 20,000 jobs have been created or saved.

Summary

Rural Development programs work in concert. Without housing, there is no need for utilities. Without jobs, there are no people to live in the houses. Without leadership in these rural communities, no program, Federal or state will serve the needs. Leadership, development, investment, and training enable communities to grow and prosper.

The programs outlined for you today are tools for rural communities to use to meet the needs and challenges they face in this global, digital economy. Rural America is not isolated from economic downturns in Asia or conflicts in Eastern Europe. Providing the tools to take advantage of the benefits of expanded markets and new opportunities is not easy. Delivering these programs to the remote, isolated, and low-income areas of rural America requires administrative expenses sufficient to the task.

Rural Development's loan portfolio exceeds \$80 billion and funding is a joint venture requiring careful underwriting and business-like servicing. The USDA employees have as high a level of professional competence as you will find in or out of government service. The Mission Area looks forward to working with you in the future to serve rural America.

Rural Development appreciates the support and innovation this subcommittee has provided rural communities and citizens over the years.

Mr. Chairman, Members of the Committee, this concludes my formal statement. The Acting Administrators and I would be glad to answer any questions you may have. Thank you for the opportunity to appear before you.

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